

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	



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August 4, 2005

To the Board of Directors
South Central Michigan Construction Code Inspection, Inc.
Athens, MI

We have recently completed the audit of South Central Michigan Construction Code Inspection, Inc., Calhoun County, Michigan. During the course of the audit, the following items came to our attention that requires further comment.

INTERNAL CONTROL WEAKNESS

During the course of the audit, it was noted that an authorized signature stamp is being held and used by a person that is also authorized to sign checks.

Management of local units of government is responsible for establishing and maintaining a system of internal controls to safeguard its assets against unauthorized use and disposition. According to the *Uniform Accounting Procedures Manual For Counties and Local Units of Government in Michigan*, dual signatures are required for all checking accounts.

It is recommended that management continue with its dual signature policy, however the authorized signature stamp should only be used in the person's absence. In addition, a trusted individual should maintain the signature stamp independent of the Administrative Manager.

REPORTS SHOULD BE PRODUCED TO STRENGTH INTERNAL CONTROLS

During the course of the audit, it was noted that the RDM System could not produce several reports requested. These reports would strengthen the internal controls of the Company and make balancing with the accounting system more proficient.

The RDM System produces reports using permit "Issue Date" as its criteria, whereas the funds are collected at "Application Date". In addition, not all fees charged are reported on all reports, for example, permits with a "Hold" or "Ready" status are not included on the Permit Record Report. Also, a separate report is not available for a "Hold" or "Ready" status. Due to these inconsistencies, the RDM System Permit Reports cannot be reconciled to the accounting system. The reports also do not sort in any particular order, making it difficult to determine if good internal controls exist over sequential numbering of permits.

It is recommended that management consider having additional reports written to strength internal controls and balancing procedures. Discussion with the Athens and Tuscola Office has led to suggestions of various reports that would strengthen their procedures.

We would like to take this opportunity to thank the officials of the organization for the cooperation extended to us during the recent audit. If you have any questions concerning the above matters or any other matters concerning the audit, please do not hesitate to contact us.

Sincerely,

Walker, Fluke & Sheldon, PLC

Walker, Fluke & Sheldon, PLC

**SOUTH CENTRAL MICHIGAN CONSTRUCTION
CODE INSPECTION, INC.
FINANCIAL STATEMENTS**
For the year ended March 31, 2005

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
South Central Michigan Construction Code Inspection, Inc

We have audited the accompanying basic financial statements of the business-type activities of South Central Michigan Construction Code Inspection, Inc, Michigan, as of and for the year ended March 31, 2005, which collectively comprise the South Central Michigan Construction Code Inspection, Inc's basic financial statements as listed in the table of contents. These financial statements are the responsibility of South Central Michigan Construction Code Inspection, Inc, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of South Central Michigan Construction Code Inspection, Inc, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, the South Central Michigan Construction Code Inspection, Inc has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of April 1, 2004.

The management discussion and analysis listed in the table of contents is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise South Central Michigan Construction Code Inspection, Inc's basic financial statements. The additional supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of South Central Michigan Construction Code Inspection, Inc, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan
August 4, 2005

Walker, Fluke & Sheldon, PLC

South Central Michigan Construction Code Inspection, Inc. Management Discussion and Analysis

As the Board of the South Central Michigan Construction Code Inspection, Inc., we offer readers of the Code Inspection's financial statements this narrative overview and analysis of the financial activities of South Central Michigan Construction Code Inspection, Inc., for the fiscal year ended March 31, 2005. This being the initial year of adoption, comparative information is not presented. The analysis focuses on significant financial position and specific issues related to funds and the economic factors affecting the Code Inspection. We encourage readers to consider this information in conjunction with the letter of transmittal, which begins on page 1, and the financial statements, which begin on page 5.

Financial Highlights

- The assets of South Central Michigan Construction Code Inspection, Inc., exceeded its liabilities at the close of the most recent fiscal year by \$134,533 (net assets). Of this amount, \$104,468 (unrestricted net assets) may be used to meet the ongoing obligations to the members.
- The government's total net assets decreased by \$20,823.

Overview of the Financial Statements

The South Central Michigan Construction Code Inspection, Inc.'s, basic financial statements comprise two components: 1) fund financial statements, and 2) notes to financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Basic financial statements. The basic financial statements are designed to provide readers with a broad overview of the Code Inspection's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Code Inspection's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Code Inspection's financial position is improving or deteriorating.

The statement of revenues, expenses and changes in net assets presents information showing how the Code Inspection's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the basic financial statements distinguish functions of the South Central Michigan Construction Code Inspection, Inc., that are principally supported through user fees and charges (business-type activities).

The basic financial statements can be found on pages 5-7 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. South Central Michigan Construction Code Inspection, Inc., uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the South Central Michigan Construction Code Inspection, Inc., can be divided into one category: proprietary funds.

Proprietary funds. The South Central Michigan Construction Code Inspection, Inc., maintains a single proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the basic financial statements. The South Central Michigan Construction Code Inspection, Inc., uses an enterprise fund.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The notes to financial statements can be found on pages 8-12 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents supplementary information.

Supplementary information is presented immediately following the notes to financial statements on page 13.

Basic Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of South Central Michigan Construction Code Inspection, Inc., assets exceeded liabilities by \$134,533 at the close of the most recent fiscal year.

The most significant portion \$104,468 of the Code Inspection's net assets (77.65 percent) reflects its unrestricted net assets, which may be used to meet ongoing obligations to the members. The Code Inspection does not have any restricted net assets, which are resources that are subject to external restrictions on how they may be used. The remaining portion of the Code Inspection's net assets (22.35 percent) reflects its investment in capital assets (\$30,065) (e.g. land, buildings, equipment and furniture and fixtures). The South Central Michigan Construction Code Inspection, Inc., uses these capital assets to provide services to members; consequently, these assets are not available for future spending.

South Central Michigan Construction Code Inspection, Inc.'s Condensed Financial Data

	Business-Type Activities	Total
Current and Other Assets	\$ 139,074	\$ 139,074
Capital Assets	30,065	30,065
Total Assets	169,139	169,139
Short-Term Liabilities	34,606	34,606
Long-Term Liabilities	-	-
Total Liabilities	34,606	34,606
Net Assets		
Invested in Capital Assets, Net of Related Debt	30,065	30,065
Restricted	-	-
Unrestricted	104,468	104,468
Total Net Assets	\$ 134,533	\$ 134,533
Business-Type Revenues		
Charges for Services	\$ 985,707	\$ 985,707
Other	21,592	21,592
Total Revenues	1,007,299	1,007,299
Business-Type Activities		
Enterprise	1,028,122	1,028,122
Total Expenses	1,028,122	1,028,122
Change in Net Assets	\$ (20,823)	\$ (20,823)

At the end of the current fiscal year, the South Central Michigan Construction Code Inspection, Inc., is able to report positive balances in all categories of net assets.

Business-Type activities. Business-type activities decreased the Code Inspection's net assets by \$20,823 mainly due to the fact there has been a significant decrease in commercial activity and certain fees are not at the rate they need to be.

Capital Assets

The Code Inspection's investment in capital assets for its governmental activities as of March 31, 2005, amounts to \$30,065 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included land, a computer and phone system. Details of the Code Inspection's capital assets are continued in the notes to financial statements on page 11.

Economic Factors and Next Year's Budgets and Rates

The South Central Michigan Construction Code Inspection, Inc., feels increases in interest rates directly affects the building activity. As long as rates remain low, residential activity will remain steady to help offset a slow-down on the commercial side. The Code Inspection also feels an increase in certain fees is necessary to offset costs. The Code Inspection is in negotiations with Bay City, Michigan for inspections, which will increase its volume. Also, there are ongoing plans for soliciting new members to increase volume. The Code Inspection has a long-range plan to construct a new office building in the Athens area.

Requests for Information

This financial report is designed to provide a general overview of South Central Michigan Construction Code Inspection, Inc.'s, finances for all those with an interest in the Code Inspection's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administrative Manager, South Central Michigan Construction Code Inspection, Inc., 103 S Capital St, PO Box 509, Athens, MI 49011. 1-888-249-7077

SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC.
STATEMENT OF NET ASSETS
March 31, 2005

ASSETS

Cash and Cash Equivalents	\$ 122,709
Receivables	4,340
Prepaid Expenses	12,025
Capital Assets (Net of Accumulated Depreciation)	<u>30,065</u>
Total Assets	<u><u>\$ 169,139</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts Payable	\$ 10,422
Escrow Deposits	575
Accrued Liabilities	<u>23,609</u>
Total Liabilities	<u>34,606</u>
Net Assets	
Investment in Capital Assets, Net of Related Debt	30,065
Restricted	-
Unrestricted	<u>104,468</u>
Total Net Assets	<u>134,533</u>
Total Liabilities and Net Assets	<u><u>\$ 169,139</u></u>

The Notes to Financial Statements are an integral part of this statement.

SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC.
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
For the Year Ended March 31, 2005

Operating Revenues	
Charges for Services	\$ 985,707
Other Operating Revenue	<u>21,592</u>
Total Operating Revenues	<u>1,007,299</u>
Operating Expenses	
Salaries and Fringes	825,284
Office Supplies	30,796
Bank Service Charges	591
Postage and Delivery	13,755
Insurance	21,887
Printing and Publishing	7,684
Memberships, Training and Dues	375
Repairs and Maintenance	3,654
Equipment Rental	1,009
Professional Fees	26,422
Travel	5,636
Rent	57,352
Refunds	4,673
Telephone	21,794
Utilities	3,487
Miscellaneous	613
Depreciation	<u>3,110</u>
Total Operating Expenses	<u>1,028,122</u>
Change in Net Assets	(20,823)
Net Assets--April 1, 2004	<u>155,356</u>
Net Assets--March 31, 2005	<u><u>\$ 134,533</u></u>

The Notes to Financial Statements are an integral part of this statement.

SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC.
STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2005

Cash Flows From Operating Activities:	
Cash Charges for Services	\$ 984,435
Other Operating Revenue	21,592
Cash Payments to Employees for Services	(823,020)
Cash Payments to Suppliers for Goods and Services	<u>(192,331)</u>
Net Cash Provided by Operating Activities	<u>(9,324)</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition of Capital Assets	<u>(23,167)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(23,167)</u>
Cash Flows From Investing Activities:	
Interest on Cash Equivalents and Investments	<u>-</u>
Net Cash Provided by Investing Activities	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(32,491)
Cash and Cash Equivalents at Beginning of the Year	<u>155,200</u>
Cash and Cash Equivalents at End of the Year	<u><u>\$ 122,709</u></u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities:	
Operating Income (Loss)	\$ (20,823)
Depreciation	3,110
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease (Increase) in Accounts Receivable	(1,272)
Decrease (Increase) in Prepaid Expenses	(2,950)
Increase (Decrease) in Accounts Payable	10,422
Increase (Decrease) in Escrow Deposits	(75)
Increase (Decrease) in Accrued Liabilities	<u>2,264</u>
Net Cash Provided by Operating Activities	<u><u>\$ (9,324)</u></u>

The Notes to Financial Statements are an integral part of this statement.

SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of South Central Michigan Construction Code Inspection, Inc conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by South Central Michigan Construction Code Inspection, Inc:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the South Central Michigan Construction Code Inspection, Inc's overall financial position and results of operations

This and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

REPORTING ENTITY

South Central Michigan Construction Code Inspection, Incorporated, a governmental joint-venture, was organized in 1997 to administer and enforce certain construction codes and ordinances adopted by each of the member municipalities, provide contractual inspection services and grant administration services to governmental units, private individuals or enterprises, hire competent inspectors, establish appropriate policies and rules for a code enforcement program, arrange for convenient locations where records, permits, and inspections may be obtained, and establish a uniform schedule of fees for permits and inspections. The organization consists of member municipalities, in which each participating municipality selects an elected representative to serve on the Board of South Central Michigan Construction Code Inspection, Incorporated. The members do not have an ownership interest in the Organization, and are not entitled to any share of net assets as a result of termination of membership. As of March 31, 2004, the member municipalities are: City of Albion, Athens Code Inspection, Brady Township, Burlington Township, Burr Oak Township, Burr Oak Code Inspection, Climax Township, Colon Township, Convis Township, South Central Michigan Construction Code Inspection, Inc. of Homer, Homer Township, Leonidas Township, NHPB – Indian Housing Authority, Park Township, Sherman Township, Springport South Central Michigan Construction Code Inspection, Inc. and Wakeshma Township.

On September 30, 2002, South Central Michigan Construction Code Inspection, Incorporated entered into a one year agreement with the County of Tuscola pursuant to Michigan's Intergovernmental Contracts between Municipal Corporations Act. This agreement designates South Central Michigan Construction Code Inspection, Incorporated as its agent with the right to fully exercise the Administrative Power under its current Construction Code. This Administrative Power extends to all inspections and administrative enforcement with the exception of those duties and costs designated to be handled and funded by the Tuscola County Prosecuting Attorney. Although the original one year agreement has expired, the parties continue to progress toward the County becoming a full member of the South Central Michigan Construction Code Inspection, Inc.

BASIC FINANCIAL STATEMENTS

The basic financial statements (i.e., the statement of net assets, the statement of revenues, expenses and changes in net assets and the statement of cash flows) report information on all of the nonfiduciary activities of the government. The South Central Michigan Construction Code Inspection, Inc only has one business-type activity, which relies to a significant extent on fees and charges.

South Central Michigan Construction Code Inspection, Inc. is considered a major individual Enterprise Fund.

SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The basic financial statements are reported using the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All other revenue items are considered to be available only when cash is received by the government.

Enterprise Funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The South Central Michigan Construction Code Inspection, Inc. reports the following major proprietary fund:

- The Enterprise Fund accounts for operations for the inspection services.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The South Central Michigan Construction Code Inspection, Inc. has elected not to follow private-sector standards.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering products in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the basic financial statements. The government defines capital assets as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Furniture	10 years
Equipment	5-10 years

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by South Central Michigan Construction Code Inspection, Inc

SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the South Central Michigan Construction Code Inspection, Inc to make deposits and invest in the accounts of federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The South Central Michigan Construction Code Inspection, Inc has designated two banks for the deposit of South Central Michigan Construction Code Inspection, Inc funds.

The South Central Michigan Construction Code Inspection, Inc's deposits are in accordance with statutory authority.

At year-end, the South Central Michigan Construction Code Inspection, Inc's deposits were reported in the basic financial statements in the following categories:

	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 122,709	\$ 122,709
Investments	-	-
Restricted Assets	-	-
Total	<u>\$ 122,709</u>	<u>\$ 122,709</u>

The breakdown between deposits and investments is:

	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 122,297
Investment in Securities (Mutual Funds and Similar Vehicles)	-
Petty Cash and Cash on Hand	<u>412</u>
Total	<u>\$ 122,709</u>

At March 31, 2005, the South Central Michigan Construction Code Inspection, Inc had deposits with a carrying amount of \$122,709 and a bank balance of \$164,411. Of the bank balance, \$143,159 is covered by federal depository insurance, \$21,252 is uninsured and \$0 is collateralized.

SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Business-Type Activities				
Capital Assets not Being Depreciated				
Land	\$ -	\$ 15,201	\$ -	\$ 15,201
Subtotal	-	15,201	-	15,201
Capital Assets Being Depreciated				
Furniture	1,146	-	-	1,146
Equipment	14,231	7,966	-	22,197
Subtotal	15,377	7,966	-	23,343
Less Accumulated Depreciation for				
Furniture	401	115	-	516
Equipment	4,968	2,995	-	7,963
Subtotal	5,369	3,110	-	8,479
Net Capital Assets Being Depreciated	10,008	4,856	-	14,864
Business-Type Activities Total				
Capital Assets-Net of Depreciation	<u>\$ 10,008</u>	<u>\$ 20,057</u>	<u>\$ -</u>	<u>\$ 30,065</u>

Depreciation expense was charged to programs of the South Central Michigan Construction Code Inspection, Inc as follows:

Business-Type Activities	
Enterprise	<u>\$ 3,110</u>
Total Business-Type Activities	<u>\$ 3,110</u>

SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC
NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2005

LEASE COMMITMENTS

The organization has entered into two operating leases for office space. The Athens office lease is noncancellable and expires on April 1, 2006. For the reporting period, rent expense is \$7,360. The Tuscola County office lease is one year in length and expires October 1, 2005. For the reporting period, rent expense is \$49,992.

Future minimum rental payments required under operating leases that have remaining noncancellable lease terms in excess of one year as of March 31, 2004, are as follows:

Year Ending March 31, 2006	<u>\$ 7,200</u>
	<u>\$ 7,200</u>

RISK MANAGEMENT

The Organization is exposed to various risks of loss related to property loss, torts, errors and omissions. The Organization's Insurance for general liability, excess liability, auto liability, trunk-line liability, errors and omissions, and physical damage (equipment, buildings and contents) is provided through a commercial insurance company. Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

SOUTH CENTRAL MICHIGAN CONSTRUCTION CODE INSPECTION, INC.
STATEMENTS OF REVENUES AND EXPENSES BY LOCATION
For the Year Ended March 31, 2005

	<u>Athens</u>	<u>Tuscola</u>	<u>Total</u>
Operating Revenues			
Charges for Services	\$ 465,789	\$ 519,918	\$ 985,707
Other Operating Revenue	<u>10,543</u>	<u>11,049</u>	<u>21,592</u>
Total Operating Revenues	<u>476,332</u>	<u>530,967</u>	<u>1,007,299</u>
Operating Expenses			
Salaries and Fringes	414,174	411,110	825,284
Office Supplies	23,099	7,697	30,796
Bank Service Charges	513	78	591
Postage and Delivery	6,636	7,119	13,755
Insurance	11,752	10,135	21,887
Printing and Publishing	3,624	4,060	7,684
Memberships, Training and Dues	212	163	375
Repairs and Maintenance	3,055	599	3,654
Equipment Rental	1,009	-	1,009
Professional Fees	15,216	11,206	26,422
Travel	2,747	2,889	5,636
Rent	7,360	49,992	57,352
Refunds	2,393	2,280	4,673
Telephone	12,173	9,621	21,794
Utilities	3,368	119	3,487
Miscellaneous	575	38	613
Depreciation	<u>2,264</u>	<u>846</u>	<u>3,110</u>
Total Operating Expenses	<u>510,170</u>	<u>517,952</u>	<u>1,028,122</u>
Change in Net Assets	<u>\$ (33,838)</u>	<u>\$ 13,015</u>	<u>\$ (20,823)</u>